



# **Homebuyer Assistance Program**

## **PROGRAM GUIDELINES**

### **I. PROGRAM SUMMARY**

The Homebuyer Assistance Program is administered by the City of Covington's Housing Development Department. The purpose of the program is to increase the number of homeowners in the City of Covington. Under this program, households which meet income, credit, and other requirements may obtain loans to assist with purchasing a home to live in as an owner occupant. The deferred payment, zero interest loans can be used for downpayment and closing costs related to the purchase of an owner occupied home. The loan will become a grant if the owner occupies the home as their principal residence for 15 years from the date of purchase.

### **II. PROCEDURES**

All applicants must present a fully executed purchase contract, a City Homebuyer Assistance Program loan application, income information to determine eligibility, and required supporting documentation. Applications will be processed on a first come, first served basis as funding permits.

Persons buying a primary residence homes in the City of Covington can qualify for \$5000 zero interest, deferred payment loan to assist with that purchase.

Teachers, employed full-time by a public or private school as a state-certified classroom teacher or administrator in grades Preschool-12, working within the boundaries of the Covington Independent School District and purchasing a home within the boundaries of the Covington Independent School District can qualify for a \$6,000 zero interest, deferred payment loan to assist with the purchase of a home located within the Covington Independent School District.

City of Covington employees who have successfully completed their probationary period and are buying a primary residence in the City of Covington can qualify for \$7000 zero interest, deferred payment loan to assist with that purchase.

### **III. REQUIREMENTS**

#### **1. Borrower Qualifications:**

**a. Income:** To qualify for the Homebuyer Assistance Program, the borrower must verify to the Housing Department that he/she meets the following income qualifications. The borrower's annual family income must not exceed income limits as determined by the U.S. Department of Housing and Urban Development. These income limits, adjusted for household size, are listed below.

Persons in Household	Maximum Income
1	\$36,100
2	\$41,300
3	\$46,450
4	\$51,600
5	\$55,750
6	\$59,850
7	\$64,000
8	\$68,100

**b. Credit:** Credit history and documentation which indicates substantial evidence of borrower's willingness to pay. Reports from a Credit Bureau will be obtained for all borrowers.

**c. Education:** All applicants must participate in a City-approved homebuyer education course and must present a certificate of completion before program benefits are paid.

**d. Loan Underwriting**

The City reserves the right to review standard credit information as required by a first mortgage lender. Additionally, any applicant who intends to utilize a subprime loan as a first mortgage may be required by the City to seek a first mortgage loan at a conventional interest rate.

**2. Property Qualifications:**

**a. Only owner-occupied** dwellings having one to two units are eligible.

**b. Principal Residence:** Participants must occupy the property as their permanent principal place of residence within 60 days from the date of purchase. The home must be, and remain for the term of the loan agreement, the principal residence of the borrower.

**c. Ownership Status:** The borrower must have fee simple title to the property. Homes purchased on private contracts usually do not meet this requirement.

**d. Appraisal:** The appraised value after repairs must not exceed \$160,550. This is to be verified by a certified appraisal (or other method approved by the Housing Department).

**e. Property Standards:** All properties must be inspected by the City to ensure compliance with local building codes. Properties which have incipient code violations may be referred to the City's Rehab Division for possible assistance.

**f. Homes built prior to 1978** will be inspected in order to detect the presence of defective or deteriorated paint surfaces

**g. Zoning:** The home must be in compliance with applicable zoning regulations.

**h. Manufactured Housing:** In order to qualify for assistance, manufactured housing must be situated on a permanent foundation and be connected to permanent utility hookups. If produced after June 15, 1976, the home must meet property standards established under 24 CFR 3280. If produced before June 15, 1976, the home must comply with applicable City of Covington Codes.

**i. Federal Regulations:** For activities funded through the Federal HOME Program Funds, loans are subject to requirements outlined in 24 CFR Part 92. For activities funded through the Federal Community Development Block Grant Program, loans are subject to requirements outlined in 24 CFR Part 570.

### **3. LOAN TERMS**

#### **a. Standard Loan Terms:**

**Loan Amount:** \$5,000 Citywide, \$6,000 for certified teachers and administrators, \$7,000 for City of Covington employees  
**Loan to Value Ratio:** 110% (100% for HOME funded loans)  
**Interest Rate:** 0%  
**Monthly Payment Amount:** Payments are deferred. However, the loan is due in full upon the sale, transfer, refinance or vacating of the property by the property owner. The loan will become a grant if the owner occupies the home as their principal residence for 15 years from the date of purchase.

### **4. Special Housing Needs**

The City Commission reserves the right to waive any local program requirement for applicants who demonstrate a special housing need because of physical or mental disability or large family size. Additionally, the City Commission reserves the right to waive any local program requirements in conjunction with an activity undertaken by a Community Housing Development Organization (CHDO) or other non-profit entity.

For further information on the Homebuyer Assistance Program, call or write:

**City of Covington  
Housing Development Department  
638 Madison Avenue  
Covington, KY 41011  
(859) 292-2188  
TDD (859) 292-2333**

Effective: 01/01/2004

## Definitions

1. **Applicant** shall mean the person(s) who sign(s) the City loan application.
2. **Deferred Second Mortgage Loan** shall mean a 0% interest loan by the City to the applicant that must be repaid in a lump sum upon the sale, transfer, or vacating of the property by the property owner. The property owner must begin repayment of the deferred second mortgage loan when all superior liens, existing at the time the deferred second mortgage loan was recorded in the office of the Kenton County Clerk, are paid off.
3. **Owner-Occupant** shall mean any person who is purchasing the property which is the subject of the deferred second mortgage loan.
4. **Income** is gross annual income of the applicant and all other people who are expected to reside in the house which shall include wages, salaries, tips, bonuses, commissions, dividends, interest and any other form of income generally considered as gross income by the IRS and reported on the Homebuyer Assistance Program application. For purposes of the Homebuyer Assistance Program, the tax return from the most recently completed tax year and current paycheck stubs shall be used for income qualifications.
5. **Income Limits**
  - a. *Very low income* shall mean annual income which does not exceed 50 percent of the median income for the area, as determined by HUD with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 50 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes.
  - b. *Low income* shall mean annual income which does not exceed 80 percent of the median income for the area, as determined by HUD with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 80 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes.
6. **Lender** shall mean any established lending institution or any organization or company whose primary purpose is lending money.
7. **Average 30 Year Conventional Loan Rate** shall mean the current average 30 year mortgage rate as published by Freddie Mac (Federal Home Loan Mortgage Corporation).
8. **Subprime Loan** shall mean a mortgage loan which carries an interest rate at least 2-1/2 points more than the average 30 year conventional loan rate. Typically, a subprime rate is offered to loan applicants who have below average credit histories.